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July 30, 2014

Mr. John M. Brandt, Regional Air Compliance and Monitoring Manager
Virginia Department of Environmental Quality
Tidewater Regional Office
5636 Southern Boulevard
Virginia Beach, Virginia 23462

Re: Compliance Extension Approval for 40 CFR 63 Subpart UUUUU – National Emissions Standards for Hazardous Air Pollutants for Yorktown Power Station Units 1 and 2: Compliance Status Report – July 31, 2014.

Dear Mr. Brandt:

On May 15, 2014, Dominion Virginia Power (Dominion) requested a one-year extension of the Mercury and Air Toxics Standards (MATS) compliance deadline for two of its coal-fired electric generating units located in Virginia. Dominion's Yorktown Units 1 (159 MW) and 2 (164 MW) (collectively, the Yorktown Units) are not currently equipped with the necessary controls to achieve and maintain compliance with the MATS emissions limits that take effect on April 16, 2015. Dominion planned to retire both units by December 31, 2014 well in advance of the MATS compliance deadline; however, PJM Interconnection, L.L.C. (PJM), Dominion's regional transmission organization, and Dominion have determined certain transmission upgrades must be installed before the units can be retired without an adverse impact on the reliability of the electric grid. The transmission upgrades were originally anticipated to be completed prior to the summer of 2015 and would have permitted the retirement of Units 1 and 2 in advance of the MATS compliance deadline. As discussed herein, Dominion now expects the transmission upgrades to be in service subsequent to the summer of 2015, thus requiring the need for the one-year extension of the MATS compliance deadline.

On June 24, 2014, the Virginia Department of Environmental Quality (DEQ) granted Dominion's request for an extension of the MATS effective date applicable to the Yorktown Units as consistent with the U.S. Environmental Protection Agency (EPA) guidelines. The DEQ extension letter from Michael G. Dowd, Air Division Director, requires Dominion to submit semiannual progress reports to DEQ by January 31 and July 31 of each year. As permissible under the EPA MATS, Dominion's plan for MATS compliance for the Yorktown Units is retirement contingent upon the completion of certain necessary transmission upgrades. Accordingly, this compliance submittal is an update provided to DEQ on Dominion's progress towards completion of those facilities for the period ending June 30, 2014.

As discussed in Dominion's May 15 request, the State Corporation Commission of Virginia (Commission) has approved Dominion's proposed electric transmission facilities consisting of construction of the Surry-Skiffes Creek 500 kV transmission line, the Skiffes Creek-Whealton 230 kV transmission line, and the Skiffes Creek 500 kV-230 kV-115 kV Switching Station, and work at Dominion's existing Surry and Whealton stations (collectively, the Skiffes Creek project).¹ The Skiffes Creek project is necessary to address projected North American Electric Reliability Corporation (NERC) violations, including those related to the Yorktown retirements.

Regulatory Update

Appeals of three Commission decisions issued in the approval of the Skiffes Creek project are pending at the Supreme Court of Virginia.² As of the end of the update period, the appellants had filed petitions to appeal two Commission orders. The Virginia Supreme Court has assigned these appeals Record Nos. 140462, 140470, 141009 and 141010. The Commission orders remain in effect during the pendency of these appeals.

Dominion has successfully concluded discussions and negotiations with the lessees of oyster beds in the James River. Dominion's application to the Virginia Marine Resources Commission (VMRC) for the use of state-owned bottomlands is pending. As of the end of the update period (June 30, 2014), Dominion expected a public hearing to occur by the end of July 2014 and a permit from VMRC by August 2014.

Dominion's application for a permit from the U.S. Army Corps of Engineers (Corps) is pending. The public comment period is closed and the Corps is conducting the National Historic Preservation Act §106 review. The Corps has stated that it will schedule a meeting among the consulting parties regarding the Skiffes Creek project's effect on resources included in or eligible for inclusion in the National Register of Historic Places. This meeting has not yet been scheduled. Dominion's schedule requires that a permit from the Corps be received by the end of August 2014 to stay on track for the anticipated in service date.

Construction Update

Dominion has completed certain preliminary work for the Skiffes Creek project at its existing substation located at the Surry Power Station. Dominion anticipates commencing construction activities in September 2014, pending regulatory approvals, and completing the Skiffes Creek project by April 2016.

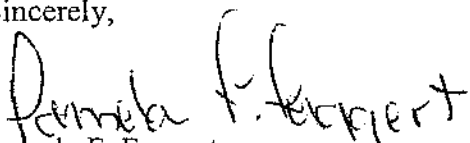
¹ See *Application of Virginia Electric and Power Company For Approval and Certification of Electric Facilities for the Surry-Skiffes Creek 500 kV Transmission Line, Skiffes Creek-Whealton 230 kV Transmission Line and Skiffes Creek 500 kV-230 kV-115 kV Switching Station*, Case No. PUE-2002-00029, Application (Jun. 11, 2012), Order (Nov. 26, 2013) and Order Amending Certificates (Feb. 28, 2014).

² In addition, as noted in Dominion's May 15 request for the extension, there is currently pending in James City County Circuit Court a Petition for Declaratory Judgment and Injunction for Skiffes Creek Switching Station, filed by James City County on May 23, 2013.

The estimated construction schedule of the Skiffes Creek project takes into account the outages of existing transmission lines required for safe construction of the project that Dominion has requested from PJM. However, Dominion remains unable to predict the timing for Corps approval of the Skiffes Creek project. Delays in the Corps permit issuance after August 2014 could push the in-service date for the proposed Skiffes Creek project beyond April 16, 2016. In addition, other delays in the transmission construction, permit delays, or further litigation developments could occur that may further postpone the deactivation of the coal units at Yorktown. Any such material delay could require Dominion to seek an additional extension of the MATS compliance deadline in the form of a request for a U.S. EPA Administrative Order, pursuant to the process that EPA outlined in a December 16, 2011 memorandum issued by the Office of Enforcement and Compliance Assurance (OECA).³

Dominion representatives are available to meet with you and discuss this update as necessary. Please contact me at 804-273-3467 or Lenny Dupuis at 804-273-3022 to arrange a meeting date or if you have any questions.

Sincerely,


Pamela F. Faggert

CC: Mr. David Paylor – Virginia DEQ
Mr. Michael S. Dowd – Virginia DEQ
Ms. Tamera Thompson – Virginia DEQ
Ms. Patricia Buonviri – Virginia DEQ
Ms. Diana Esher – U.S. EPA Region III
Mr. Brian Rehn – U.S. EPA Region III

³ See EPA OECA, Memorandum: The Environmental Protection Agency's Enforcement Response Policy For Use of Clean Air Act Section 113(a) Administrative Orders In Relation To Electric Reliability And The Mercury And Air Toxics Standard; December 16, 2011.